

Policy on ‘Fit and Proper’ Criteria for directors of the Company as per RBI Directions

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**POLICY ON 'FIT AND PROPER' CRITERIA FOR DIRECTORS OF THE
COMPANY AS PER RBI DIRECTIONS**

Preamble

1. Reserve Bank of India (RBI) had issued a Directive in June 2004 to banks on undertaking due diligence on the persons before appointing them on the Boards of banks based on the 'Report of the Consultative Group of directors of Banks / Financial Institutions'. Specific 'fit and proper' criteria to be fulfilled by the directors were also advised.
2. The importance of due diligence of directors to ascertain suitability for the post by way of qualifications, technical expertise, track record, integrity, etc. needs no emphasis for any financial institution. RBI had proposed to follow the same guidelines *mutatis mutandis* in case of NBFCs also. While the RBI does carry out due diligence on directors before issuing Certificate of Registration to an NBFC, RBI directed that it is necessary that NBFCs put in place an internal supervisory process on a continuing basis. Further, in order to streamline and bring in uniformity in the process of due diligence, while appointing directors, RBI had also advised NBFCs to ensure that fit and proper criteria is followed before appointment of directors on the Board.

Applicability

This Policy shall be applicable on appointment / reappointment of all the Directors of the Company.

Policy

1. The Company should undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria.
2. The Company should obtain necessary information and declaration from the proposed / existing directors for the purpose of ascertaining the fit and proper criteria, in the format prescribed by the RBI from time to time.
3. Based on the information provided in the signed declaration, Nomination and Remuneration Committee should scrutinise and decide on the acceptance or otherwise of the directors, where considered necessary.
4. The process of due diligence should be undertaken by the Company at the time of appointment / renewal of appointment.
5. The Company should obtain annually as on March 31st a simple declaration from the directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.
6. The Board of the Company must ensure in public interest that the nominated / elected directors execute the deeds of covenants in the format prescribed by the RBI from time to time.
